REPUBLIC OF KENYA

EXECUTIVE OFFICE OF THE PRESIDENT

STATE CORPORATIONS ADVISORY COMMITTEE

RISK MANAGEMENT IN STATE CORPORATIONS

Risk can be described as;

A chance of something happening that when it occurs, will impact on your goals & objectives.

An event that may or may not happen but if it does, it causes unpleasant outcomes for our projects.

Risks are threats to the success of the Organization

Risk Management

Is the identification, assessment, and prioritization of risks followed by resource based strategies to minimize, monitor, and control the probability, impact of eventualities thus maximizing the realization of opportunities.

Role of the Board in Risk Management

1. Develop a policy on risk management, which should take into account sustainability, ethics and compliance risks.

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The policy should incorporate the critical risk sources in the organization which are related to;

- Strategic Risks-these arise from fundamental decisions that directors take concerning an organization's objectives.
- Operational/Management Risks-these are connected with internal resources, systems, processes and employees.
- Compliance Risks- they arise from non-conformity with stated requirements e.g. laws, regulations, contracts and policies.

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Environmental Risks- the risk that a certain business venture will cause destruction to the surrounding natural environment

Political risk- the risk that an investment return could suffer as a result of political change or instability.

Financial Risk-risks associated with financing business transaction. For example, company loans in risk of default.

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- Human Resource Risk-The risk that an organization may incur losses due to loss of personnel, deterioration of morale, inadequate development of human resources.
- Risks arising from new ways of working or doing business e.g. concessioning or Public Private Partnerships.

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2. Approve the risk management plan and the risk management framework.

This will involve identified risk areas which results to the creation of a risk register.

A risk register contains the results of various risk management processes.

In addition, it also contains the risk events which refer to specific and uncertain events that may occur to the detriment of the programmed activities.

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The risk management framework also prioritizes the various risks within the organization.

3. Establish a risk management function in the organization and also ensure that the risk assessment is carried out on a continuous basis.

4. Appoint a Committee responsible for risk management in the organization.

The Internal Audit function of the organization has now incorporated risk management issues and the committee has now been renamed Risk and Audit Committee of the Board.

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5. Delegate to management the responsibility to implement the risk management plan.

In this, the Board should review the implementation of the risk management framework on a quarterly basis with a view of analyzing possible risk treatments.

Possible risk treatments entails: tolerating(retaining) the risk, Treat(Mitigating) the risk, terminating(eliminating)and transferring the risks.

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6. Specify Board’s responsibility for risk management in the Board Charter.

The Board’s obligations on matters relating to risk management are outlined and profiled.

7. The Board should Monitor and evaluate the committee dealing with risk affairs once a year.

The necessary guideline and tools for monitoring and evaluation of the committee should be developed by the Board.

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8. Receive from the Internal Audit function, a written assessment of the effectiveness of the system of internal controls and risk management

9. Receive assurance from Management that the risk management framework is integrated in the daily activities of the organization.

"The revolutionary idea that defines the boundary between modern times and the past is the mastery of risk"

Peter Bernstein, *Against the Gods*

END

THANK YOU